



Cyber Insurance

Now Included in Erie 1 BOCES' Insurance Coverage

Introduction

The same type of breaches of personal information happening with banks, stores and credit card institutions are also risk factors for schools. This increased risk, and the costs associated with these liabilities, coupled with requests from school districts, were the driving factors behind Erie 1 BOCES's purchase of cyber insurance. The insurance will cover the costs associated with the breach of student and staff personal and private information. This cyber insurance protects Erie 1 BOCES and districts participating in WNYRIC services against such costs incurred by breaches. The following information document summarizes this cyber coverage.

Why Cyber Insurance?

Cyber liability addresses first- and third-party risks associated with e-business, the Internet, networks and informational assets. It offers protection for exposures arising out of Internet communications and breaches in security. Reports show breaches are usually caused by the reasons listed below and can include examples of risk categories such as privacy issues, infringement of intellectual property or virus transmissions.

Ninety-five percent of the breaches are caused by one of three things listed below:

- 1) **Hackers** – Hackers caused 32 percent of breach events and were responsible for 75 percent of all exposed records. Industry experts concur that these incidents can be directly attributed to increased use of malware.
- 2) **Rogue employees** - Increased layoffs due to downsizing and generally poor economic conditions and the relative ease of selling stolen information is another growing concern. Rogue employees are reported to be the second largest cause of breaches. They comprise 19 percent of breach events.

- 3) **Loss or theft** - Lost or stolen equipment containing personal or private data made up 15 percent of data breach incidents. Another seven percent comes from lost paper documents.

The concept of cyber liability takes into account first- and third-party risks. **Third party** risks are those risks or liabilities that the WNYRIC has due to the services we provide where information is transferred, handled, stored, manipulated or viewed by the WNYRIC on behalf of the districts we serve. **First Party** risks are those risks that are created by the potential breach of Erie 1 data (student and staff) involving Erie 1 staff and/or Erie 1 equipment.

Do We Need Cyber Insurance?



Traditional liability products do not address Internet exposures or the housing and transfer of data on computers. The cost of a breach in data can be high and include legal fees and settlements, crisis response, required customer

notifications, and business interruption costs and fines.

When reviewing the district's coverage, more and more auditors and insurance companies are asking districts about the coverage Erie 1 BOCES holds due to the district's participation in WNYRIC technology services.

With the recent regulations concerning student data security, it is important to make sure districts are protected from breaches and the related costs.

What Coverage Does Erie 1 BOCES Have?

Erie 1 BOCES purchased both first-party and third-party coverage up to \$5,000,000, with up to \$1,000,000 for computer expert services, legal services, public relations and crisis management response. This would include paying the cost associated with notifying up to 750,000 individuals. The deductible on this policy is set at \$50,000, which represents the lowest deductible allowed by the company. Our insurance company, NYSIR, researched companies and pricing structures and recommended Beazley Insurance Company, Inc., which specializes in cyber insurance.

Details Of Coverage

The coverage will protect Erie 1 BOCES and the school districts that subscribe to services through the WNYRIC in the event that there is a breach of data by any method, including but not limited to computer hacking, disgruntled BOCES employees, or lost/stolen BOCES equipment. In such an event, this insurance will cover cost of notification to impacted people, legal fees, computer investigations (forensics), cyber extortion cost, public relations and crisis management costs. In the event of breaches, the insurance company will investigate to determine the cause, and working with Erie 1 BOCES, will determine how the insurance coverage(s) should be applied to the situations.

The cyber insurance coverage purchased by Erie 1 BOCES will **NOT** cover breaches created by component school district staff or loss of component school district equipment containing data. Districts should review with their insurance provider any gaps in current coverage, which could be addressed through district cyber coverage.

When Is A District Liable?

The district may be responsible for costs if there is negligence on the part of district employees or due to district procedures/practices inconsistent with WNYRIC

guidelines. If the breach involves only district employees and district equipment, it is considered a first-party breach for that district and will not be covered by Erie 1's cyber policy. Included with this document is a document outlining the different types of coverage carried by Erie 1 BOCES. To be clear: the Erie 1 BOCES cyber insurance only covers breaches that involve BOCES-owned equipment, or BOCES and district-owned equipment, where BOCES employees may be involved in or may have created the breach.

What Can Districts Do To Further Protect Themselves?

Review your internal procedures and practices involving:

- Data storage on mobile devices
- Password requirements
- Firewall settings
- Patching and updates on software and equipment
- Staff acknowledgement of acceptable use policies
- Staff development/awareness of hazards of breaches and the practices they can follow to avoid breaches
- Remove or upgrade computers whose operating systems no longer include patching (i.e. Microsoft XP)

Talk to your insurance carrier to see how you can obtain first-party coverage. Erie 1 BOCES is continuing to investigate options to buy district first-party insurance as a group or cooperative. At this time, there is no such option that we are aware of, but we are working with companies like NYSIR to find a solution.

Cost To Districts

Districts will incur an additional \$500/year for this coverage in your 2016-2017 participation budget with Erie 1 BOCES. It will be code 650.950.03, titled Cyber Insurance, and is mandatory for all districts participating in WNYRIC services.

Questions?

If you have any questions, please feel free to give Jim Fregelette, Erie 1 BOCES executive director of finance and information systems, a call at 821-7100. You may also connect with your customer service representative: Jennifer Lilly, Jean Rexford or Maureen Taylor.

